EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

Interim Management Statement as at 14 May 2013

Press Release
14 May 2013

Highlights*

- Eurocastle obtained approval from the holders of its convertible securities to lower the conversion price from €0.30 to €0.05 per share in exchange for, inter alia, the right for the Company to require a conversion of all outstanding convertible securities. Conditional upon such conversion, the Company reached agreement with the Manager to rebase the fees under its Management Agreement which will preserve capital for future investment. The expected savings for 2013 amounts to €13.1 million, and an annual run rate of €17.5.

- Eurocastle also intends to reinstate an annual dividend of €0.50 per ordinary share, commencing in the third quarter of 2013 subject to board approval and other legal requirements.

- On 12 April 2013, Eurocastle converted all outstanding convertible securities to ordinary shares and increased the share count by 3,398,474,685 shares resulting in the adjusted fully diluted (NAV) per share as at 31 December 2012 reducing from €0.46 to €0.09.

- Eurocastle has announced that it has received approval to complete a consolidation of shares at a ratio of 200:1 with respect to the existing ordinary share capital of the Company. The effect was to reduce the number of shares in issue from 3,525,900,465 to approximately 17,629,502 resulting in an adjusted NAV of €17.43 as at 31 December 2012.

- Since the quarter-end, the Group has signed 21 commercial leases for approximately 9,910 square metres (sqm).

- At end of the first quarter 2013, the level of physical portfolio occupancy on a like-for-like basis decreased to 78.8% from 81.2% at the end of 2012 due to an early surrender of a major tenant's lease in the Drive portfolio that had been terminated. In return for the early surrender, a surrender premium of €4.2 million was received.

- The Group sold 7 properties during the first quarter for total sales proceeds of €55.7 million versus a carrying value of €56.3 million.

* *NAV excludes the Mars Floating facility as the financing is non-recourse to Eurocastle and not callable as a result of any changes in the value of the assets.*

Financing and Liquidity

- As at 31 March 2013, Eurocastle had a corporate cash balance of €37.4 million. Net of corporate liabilities, this amounts to €31.2 million.

- In January 2013, the Group secured a restructuring of the senior loan on the Drive portfolio. Modified terms include a 1 year extension to January 2014 and interim amortisation targets to be met through an agreed sales programme. Sales fees of 3.5% of gross sales proceeds (equivalent to amount of €14.1 million) shall be for the benefit of the Group if these targets are met. In addition, Eurocastle will receive asset management fees in relation to the Drive portfolio of €1.7 million per annum. The Group remains in constructive discussions with the lenders of the junior facility.

- In light of the upcoming maturity of the Mars Fixed 2 portfolio in June 2013, the Group is engaged in positive discussions with the facility lender with regards to a medium term extension.

Real Estate

Business Review

- The Group has an interest in 415 investment properties across Germany valued at approximately €2.0 billion based on independent valuations carried out in December 2012, equivalent to an NOI yield of 5.2% based on the 2013 first quarter's annualised NOI compared to 5.6% at year end. The Group's assets are held in 11 separate financing portfolios. They comprise a diversified mix of office and retail properties concentrated in the five major German markets.

First Quarter 2013 Real Estate Portfolio Analysis:

Asset	No. of properties	Occupied space (sqm)	Occupancy %	Passing rent €m	Annualised NOI €m	Property valuation[1] €m	Average lease term	NOI yield on valuation %
Drive	157	230,940	58.7%	35.0	21.2	663	4.4	3.2%
Bridge	6	186,237	97.3%	27.4	25.3	407	5.7	6.2%
Wave	56	119,492	80.0%	13.7	10.1	182	3.3	5.5%
Turret	63	137,039	96.9%	14.9	13.1	169	3.8	7.7%
Mars – Floating	9	80,334	57.0%	8.4	4.5	120	3.1	3.7%
Mars – Fixed 2	3	34,374	89.8%	6.5	4.6	96	3.1	4.8%
Truss	41	77,967	95.7%	8.2	7.2	95	4.1	7.6%
Belfry	27	49,880	94.3%	5.0	4.3	60	3.9	7.1%
Tannenberg	27	46,857	94.5%	5.0	4.1	59	5.4	6.9%
Rapid	18	38,641	100.0%	4.4	4.0	55	8.5	7.3%
Zama	8	28,542	93.9%	3.7	3.3	45	3.6	7.4%
Grand Total	**415**	**1,030,303**	**78.8%**	**132.2**	**101.7**	**1,951**	**4.5**	**5.2%**

[1] *Property valuations are based on semi annual third party independent valuations undertaken in December 2012.*

- Eurocastle continues to pursue a real estate divestment programme seeking to dispose of assets that are believed to be stable, fully valued or as required within the framework of certain of its financings. In the first quarter of 2013, 7 properties have been sold for total sales proceeds of €55.7 million.

- Good progress continues to be made on new leasing and on renewing existing tenants. During the first quarter of 2013, the Group signed 32 leases for approximately 13,549 sqm, including 20 new leases for approximately 2,570 sqm and 12 lease renewals for approximately 10,979 sqm. Since the quarter end, an additional 1,240 sqm of new leases and 8,670 sqm of renewals have been signed. The current renewal rate for leases expiring in 2013 is at 42.9%.

- The Group continues to seek to moderate capital expenditure committed to new leasing, focusing it on those leases and portfolios achieving the greatest economic benefit for the Group and thus maximising cashflow available to Eurocastle.

- As at 31 March 2013, the Group had total lettable space of 1.3 million sqm with occupancy at 78.8%, down from 81.2 % at the end of 2012 on a like-for-like basis due to an early surrender of a major tenant's lease in the Drive portfolio that had been terminated. In return for the early surrender, a surrender premium of €4.2 million was received.

* *Unless otherwise stated, the information provided excludes the Mars Fixed 1 portfolio, but includes 100% of the Mars Floating portfolio, in which the Group has a 50% equity investment.*

Market Outlook*

- The investment volume in Germany amounted to €7.1 billion in the first quarter of 2013. This represents an increase of 35% compared to the same quarter last year. The five major office markets accounted for 56% (versus Q1 2012 of 49%) of the overall investment activity in the first quarter of 2013, with the highest volume in Munich at €0.7 billion. Due to the lack of core product, secondary cities (those outside of the Top 5) have experienced a high demand for investment opportunities from investors.

- Office investments are still dominating German investment markets with €2.8 billion followed by retail investments with €1.7 billion. Foreign property investors accounted for approximately 25% of the turnover in the first quarter of 2013, down from 30% for the full year 2012.

- Rental take-up figures decreased in major office markets by 16% compared to the first quarter of 2012, with an office turnover of 490,000 sqm. Vacancy rates in the five major markets have decreased from 9.9% in the first quarter of 2012 to 9.2% in the first quarter of 2013. In line with the lower vacancy, prime rents have increased slightly and are expected to continue to improve.

* *Data and analysis for this section has been extracted from professional market research sources*

Debt Investments

- There was one upgrade and eight downgrades in the first quarter of 2013, compared to two upgrades and twenty five downgrades in the fourth quarter of 2012.

- Total amortisation principal received in the Group's debt business during the first quarter of 2013 was €3.1 million. The majority of these proceeds were received within the CDO V portfolio which (together with additional amortisation proceeds received in December 2012) was used to purchase €25.9 million of CMBS rated at BBB+ at an average price of 92.95% of nominal.

Forward-Looking Statements

This release contains statements that constitute forward-looking statements. Such forward-looking statements may relate to, among other things, future commitments to sell real estate and achievement of disposal targets, availability of investment and divestment opportunities, methods of funding portfolios, timing of completion of acquisitions and disposals, the operating performance of our investments and financing needs. Forward-looking statements are generally identifiable by use of forward-looking terminology such as “may”, “will”, “should”, “potential”, “intend”, “expect”, “endeavour”, “seek”, “anticipate”, “estimate”, “overestimate”, “underestimate”, “believe”, “could”, “project”, “predict”, “continue”, “plan”, “forecast” or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. The Group’s ability to predict results or the actual effect of future plans or strategies is limited. Although the Group believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, its actual results and performance may differ materially from those set forth in the forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that may cause the Group’s actual results in future periods to differ materially from forecasted results or stated expectations, including the risks regarding Eurocastle’s ability to achieve its targets regarding asset disposals or leasing or that Eurocastle will be able to fund, extend, refinance or repay its liabilities.